

GlaxoSmithKline Capital plc
(Registered number: 02258699)

Interim Management Report

for the half year ended 30 June 2021

Registered office address:

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GlaxoSmithKline Capital plc
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Interim Management Report

for the half year ended 30 June 2021

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GlaxoSmithKline Capital plc
(Registered number: 02258699)

Results announcement and interim management report for the half year ended 30 June 2021

Performance

GlaxoSmithKline Capital plc (the "Company") is a member of the GlaxoSmithKline Group (the "Group"). The principal activities of the Company during the financial year were the issuance of notes under the Group's European Medium Term Note programme and the provision of financial services to other companies within the Group.

The Directors do not envisage any change to the nature of the business in the foreseeable future.

Review of business

The Company made a profit for the half year ended 30 June 2021 of £6,685,000 (2020: £10,366,000), which will be transferred to reserves. The Directors are of the opinion that the current level of activity and the period end financial position are satisfactory and will remain so in the foreseeable future.

No dividend is proposed to the holders of ordinary shares in respect of the period ended 30 June 2021 (2020: £nil).

At 30 June 2021, the Company had in issue £12,336,576,000 European Medium Term Notes and £4,851,788,000 US Medium Term Notes (31 December 2020: £12,664,804,000 and £5,474,398,622 respectively), which mature at dates between 2022 and 2045. All notes currently in issue pay interest on a fixed rate basis, with the exception of the €1.5 billion (£1.4 billion) 2021 European Medium Term Note, which is on a floating rate basis.

Principal risks and uncertainties

The Directors of GlaxoSmithKline plc manage the risks of the Group at a group level, rather than at an individual statutory entity level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2020 annual report which does not form part of this report. Details of the Company's financial risk management is also disclosed in the Company's Annual Report for the year ended 31 December 2020.

Impact of Brexit

The UK left the EU on 31 January 2020 and the Brexit transition period ended on 31 December 2020 with a Trade and Cooperation Agreement ('a deal') in place between the UK and EU. The Group's overriding priority in preparing for the UK's exit from the EU has been to maintain continuity of supply of our products to people in the UK and EU.

The Group's post-Brexit operating model has been implemented, and we continue to work closely with Governments in both the UK and EU, as well as our third parties, on the effective implementation of the deal and to ensure that our sector continues to thrive and deliver innovation for consumers in both the UK and EU.

Over the longer term, we continue to believe that Brexit will not have a material impact on our business.

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Results announcement and interim management report for the half year ended 30 June 2021

Directors' responsibility statement

The Board of Directors approved this document on 23 July 2021.

The Directors confirm that to the best of their knowledge this unaudited condensed financial information for the six months ended 30 June 2021 has been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting" and that the interim management report herein includes a true and fair view of the information required by Disclosure and Transparency Rules (DTR) 4.2.7.

Risks associated with COVID-19

The potential impact of the coronavirus outbreak on the Company's and its subsidiaries' access to capital and ability to lend and all its principal risks have been assessed with mitigation plans put in place. The Company has accessed capital markets in 2020, and continues to monitor the situation closely, as this continues to be a dynamic and an uncertain situation, with the ultimate severity, duration and impact unknown at this point.

The Directors of the Company are:

Mr I Mackay
Edinburgh Pharmaceutical Industries Limited
Glaxo Group Limited

By order of the Board

Mr A Walker
For and on behalf of Glaxo Group Limited
Corporate Director
23 July 2021

Internet

This Announcement and other information about the GSK Group are available on the website at:
<http://www.gsk.com>.

GlaxoSmithKline Capital plc

Income statement for the half year ended 30 June 2021

	Note	Period ended 30 June 2021 £'000	Period ended 30 June 2020 £'000
Other operating income / (expense)	2	(1,197)	1,626
Finance income	3	224,460	251,724
Finance expense	4	(215,009)	(240,553)
Operating profit		8,254	12,797
Profit before taxation		8,254	12,797
Taxation on profit	5	(1,569)	(2,431)
Profit for the financial period		6,685	10,366

GlaxoSmithKline Capital plc

Statement of comprehensive income for the half year ended 30 June 2021

	Period ended 30 June 2021 £'000	Period ended 30 June 2020 £'000
Profit for the financial period	6,685	10,366
Items that may be subsequently reclassified to the income statement:		
Fair value movements on cash flow hedges	-	(5,480)
Reclassification of cash flow hedges to the income statement	1,851	1,879
Deferred tax on fair value movements on cash flow hedges	46	1,078
Other comprehensive income for the financial period	1,897	(2,523)
Total comprehensive income for the financial period	8,582	7,843

GlaxoSmithKline Capital plc

Balance sheet as at 30 June 2021

	Note	30 June 2021 £'000	31 December 2020 £'000
Non-current assets			
Deferred tax assets		3,780	4,021
Loans and receivables	6	12,955,837	15,776,159
Total non-current assets		12,959,617	15,780,180
Current assets			
Loans and receivables	6	4,321,861	2,447,426
Prepayments and accrued income	7	108,086	145,580
Cash and cash equivalents		4	4
Total current assets		4,429,951	2,593,010
Total assets		17,389,568	18,373,190
Current liabilities			
Other payables	8	-	(4,024)
Corporation tax		(5,417)	(4,134)
Accruals and deferred income	10	(98,396)	(137,021)
Short-term borrowings	9	(4,238,047)	(2,350,809)
Total current liabilities		(4,341,860)	(2,495,988)
Net current assets		88,091	97,022
Total assets less current liabilities		13,047,708	15,877,202
Non-current liabilities			
Long-term borrowings	9	(12,950,318)	(15,788,394)
Total non-current liabilities		(12,950,318)	(15,788,394)
Total liabilities		(17,292,178)	(18,284,382)
Net assets		97,390	88,808
Equity			
Called up share capital	13	100	100
Other reserves		(15,244)	(17,141)
Retained earnings		112,534	105,849
Total equity		97,390	88,808

GlaxoSmithKline Capital plc

Statement of changes in equity for the half year ended 30 June 2021

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	100	(16,323)	88,226	72,003
Profit for the financial period	-	-	10,366	10,366
Other comprehensive income for the financial period	-	(2,523)	-	(2,523)
At 30 June 2020	100	(18,846)	98,592	79,846

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021	100	(17,141)	105,849	88,808
Profit for the financial period	-	-	6,685	6,685
Other comprehensive income for the financial period	-	1,897	-	1,897
At 30 June 2021	100	(15,244)	112,534	97,390

GlaxoSmithKline Capital plc

Cash flow statement for the half year ended 30 June 2021

	Note	Period ended 30 June 2021 £'000	Period ended 30 June 2020 £'000
Cash flows from operating activities			
Operating profit		6,685	12,797
Adjustments reconciling operating profit to operating cash flows	12	4,863	(166)
Net cash (outflow) / inflow from operating activities		11,548	12,631
Cash flows from financing activities			
Proceeds from borrowings		-	2,140,275
Repayment of borrowings		(533,048)	(674,483)
Loans provided to Group undertakings		-	(2,134,797)
Loan repayments received from Group undertakings		531,715	674,483
(Increase) / decrease in current accounts with Group undertakings		(10,215)	(18,109)
Net cash inflow / (outflow) from financing activities		(11,548)	(12,630)
Net movement in cash in the period		-	1
Cash at beginning of period		4	4
Movement in cash		-	1
Cash at end of period		4	5

GlaxoSmithKline Capital plc

Notes to the financial statements for the half year ended 30 June 2021

1 Accounting presentation and policies

This unaudited Results Announcement containing condensed financial information for the six months ended 30 June 2021 is prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting" using the recognition and measurement requirements of Financial Reporting Standard 101 "Reduced Disclosure Framework" and in accordance with the Listing Rules of the UK Listing Authority. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

2 Operating profit

	Period ended 30 June 2021 £'000	Period ended 30 June 2020 £'000
The following items have been credited / (charged) in operating profit:		
Exchange gains on foreign currency transactions	(1,197)	1,626

3 Finance income

	Period ended 30 June 2021 £'000	Period ended 30 June 2020 £'000
Interest income arising from loans with Group undertakings	224,460	251,724

4 Finance expense

	Period ended 30 June 2021 £'000	Period ended 30 June 2020 £'000
Interest expense arising on financial liabilities at amortised cost	(213,158)	(238,674)
Reclassification of cash flow hedge from other comprehensive income	(1,851)	(1,879)
Total finance expense	(215,009)	(240,553)

5 Taxation

	Period ended 30 June 2021 £'000	Period ended 30 June 2020 £'000
Income tax expense on ordinary activities		
Current tax:		
UK corporation tax at 19% (2020: 19%)	(1,569)	(2,431)
Total current tax	(1,569)	(2,431)
	Period ended	Period ended 30
	30 June 2021	June 2020
	£'000	£'000
Total tax (expense) / credit included in other comprehensive income		
Deferred tax:		
Fair value movements on cash flow hedges	46	1,078
Total tax (expense) / credit included in other comprehensive income	46	1,078

6 Trade and other receivables

	30 June 2021 £'000	31 December 2020 £'000
Amounts due within one year		
Amounts owed by Group undertakings	4,321,861	2,447,426
	4,321,861	2,447,426
Amounts due after more than one year		
Long term deposits	244	320
Amounts owed by Group undertakings - loans	12,955,593	15,775,839
	12,955,837	15,776,159
	17,277,698	18,223,585

Amounts due within one year are deposits with Group undertakings of £97,699,618 (2019: £92,960,000) which are unsecured, repayable on demand and earn a market rate of interest (based on LIBOR minus 0.125%) that is consistent with the Group's policy.

Amounts due within one year also include the net proceeds of bond issuances that have been advanced as loans to Group undertakings of £4,224,161,513 (2020: £2,714,625,000) which are unsecured with an interest rate between 0.045% and 3.2% per annum.

Amounts due after more than one year include the net proceeds of bond issuances that have been advanced as loans to Group undertakings, which are unsecured with fixed interest charged between 0.103% and 6.50% per annum and repayable at maturity dates between 2023 and 2045.

Amounts due after more than one year also include call accounts with Group undertakings of £81,724,873 (2020: £74,483,000) which are unsecured, repayable on demand and earn a market rate of interest (based on 1 week LIBOR minus 0.125%) that is consistent with the Group's policy.

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Notes to the financial statements for the half year ended 30 June 2021

7 Prepayments and accrued income

	30 June 2021 £'000	31 December 2020 £'000
Amounts due within one year	108,086	145,580

Accrued income relates to interest on amounts owed by Group undertakings (see Note 6).

8 Trade and other payables

	30 June 2021 £'000	31 December 2020 £'000
Amounts falling due within one year		
Amounts owed to Group undertakings	-	(4,024)
	-	(4,024)

9 Borrowings

	30 June 2021 £'000	31 December 2020 £'000
Amounts falling due within one year		
Loans payable:		
€ European Medium Term Notes	(1,716,270)	(1,801,490)
US\$ Medium Term Notes	(2,521,777)	(549,319)
	(4,238,047)	(2,350,809)
Amounts falling due after more than one year		
Loans payable:		
€ European Medium Term Notes	(5,085,212)	(5,330,086)
£ European Medium Term Notes	(5,535,094)	(5,533,228)
US\$ Medium Term Notes	(2,330,012)	(4,925,080)
	(12,950,318)	(15,788,394)
Total borrowings	(17,188,365)	(18,139,203)

Maturity of borrowings

	30 June 2021 £'000	31 December 2020 £'000
In one year or less, or on demand		
LIBOR+0.35% US\$ US Medium Term Note 2021	-	(549,319)
LIBOR+0.30% € European Medium Term Note 2021	(1,287,335)	(1,351,541)
0% € European Medium Term Note 2021	(428,935)	(449,949)
2.850% US\$ US Medium Term Note 2022	(1,440,942)	-
2.875% US\$ US Medium Term Note 2022	(1,080,835)	-
	(4,238,047)	(2,350,809)
In more than one year, but not more than two years		
2.850% US\$ US Medium Term Note 2022	-	(1,462,747)
2.875% US\$ US Medium Term Note 2022	-	(1,097,314)
0.125% € European Medium Term Note 2023	(642,169)	-
	(642,169)	(2,560,061)
In more than two years, but not more than five years		
0% € European Medium Term Note 2023	(428,815)	(449,632)
0.125% € European Medium Term Note 2023	-	(673,048)
0.534% US\$ US Medium Term Note 2023	(899,955)	(913,467)
1.375% € European Medium Term Note 2024	(853,253)	(894,036)
3.000% US\$ US Medium Term Note 2024	(717,565)	(728,293)
4.000% € European Medium Term Note 2025	(639,721)	(670,363)
1.250% € European Medium Term Note 2026	(854,931)	-
	(4,394,240)	(4,328,839)
In more than five years		
1.000% € European Medium Term Note 2026	(599,036)	(627,997)
1.250% € European Medium Term Note 2026	-	(896,167)
3.375% £ European Medium Term Note 2027	(595,045)	(594,710)
1.25% £ European Medium Term Note 2028	(742,111)	(741,602)
1.375% € European Medium Term Note 2029	(426,306)	(446,859)
3.375% US\$ US Medium Term Note 2029	(712,493)	(723,260)
1.750% € European Medium Term Note 2030	(640,979)	(671,985)
5.250% £ European Medium Term Note 2033	(983,840)	(983,392)
1.625% £ European Medium Term Note 2035	(743,490)	(743,284)
6.375% £ European Medium Term Note 2039	(694,621)	(694,542)
5.250% £ European Medium Term Note 2042	(986,961)	(986,794)
4.250% £ European Medium Term Note 2045	(789,027)	(788,902)
	(7,913,909)	(8,899,494)
Total borrowings	(17,188,365)	(18,139,203)

GlaxoSmithKline Capital plc

Notes to the financial statements for the half year ended 30 June 2021

10 Accruals and deferred income

	30 June 2021 £'000	31 December 2020 £'000
Amounts falling due within one year	(98,396)	(137,021)

Accruals relates to interest payable on borrowings (see Note 9).

11 Fair value of financial assets and liabilities

The fair values of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount;
- Borrowings (European and US Medium Term Notes) – based on quoted market prices (a level 1 fair value measurement);
- Intercompany loans – approximates to the fair value of borrowings (European and US Medium Term Notes); and
- Receivables and payables – approximates to the carrying amount.

The carrying amounts and the fair values of the Company's financial assets and liabilities at 30 June 2021 and 31 December 2020 are illustrated below.

	30 June 2021		31 December 2020	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Cash and cash equivalents	4	4	4	4
Loans and receivables:				
Other receivables	108,086	108,086	145,580	145,580
Amounts owed by Group undertakings	17,277,454	19,682,835	18,223,265	21,184,077
Total financial assets	17,385,544	19,790,925	18,368,849	21,329,661
Financial liabilities measured at amortised cost:				
£ European Medium Term Notes	(5,535,094)	(7,425,663)	(5,533,228)	(8,044,821)
€ European Medium Term Notes	(6,801,482)	(7,201,869)	(7,131,576)	(7,621,068)
US\$ US Medium Term Notes	(4,851,789)	(5,055,303)	(5,474,399)	(5,765,875)
	(17,188,365)	(19,682,835)	(18,139,203)	(21,431,764)
Other payables	(98,396)	(98,396)	(141,045)	(141,045)
Total financial liabilities	(17,286,761)	(19,781,231)	(18,280,248)	(21,572,809)
Net financial assets	98,783	9,694	88,601	(243,148)

The Company has no financial assets or liabilities measured at fair value through profit or loss.

Financial liabilities measured at amortised cost for which the fair value of £19,781,231,000 (31 December 2020: £21,572,809,000) as disclosed in the table above are categorised as Level 1, where quoted prices in active markets are used. Similarly, amounts owed by Group undertakings, which include the net proceeds of bond issuances advanced as loans, also approximate to the fair value of these financial liabilities. All other assets and liabilities approximate to the carrying amount.

12 Adjustments reconciling operating profit to operating cash flows

	Period ended 30 June 2021 £'000	Period ended 30 June 2020 £'000
Operating profit	6,685	12,797
Adjustments:		
Decrease/ (increase) in other receivables	37,570	25,518
(Decrease) / increase in other payables	(41,079)	(29,800)
Exchange adjustments	1,114	2,608
Amortisation of bond costs	5,407	5,109
Fair value movements on cash flow hedges	-	(5,480)
Reclassification of cash flow hedges to the income statement	1,851	1,879
	4,863	(166)
Net cash (outflow) / inflow from operating activities	11,548	12,631

13 Called up share capital

	30 June 2021 Number of shares	31 December 2020 Number of shares	30 June 2021 £'000	31 December 2020 £'000
Authorised				
Ordinary shares of £1 each (31 December 2020: £1 each)	100,000	100,000	100	100
Issued and fully paid				
Ordinary shares of £1 each (31 December 2020: £1 each)	100,000	100,000	100	100

14 Related party transactions

As a wholly owned subsidiary of the ultimate parent company, GlaxoSmithKline plc, advantage has been taken of the exemption afforded by FRS 101 "Reduced Disclosure Framework" not to disclose any related party transactions within the Group. There are no other related party transactions.